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April 19, 2002

Mr. Marcus Johnson, Jr.
USAID/CAR
Office of the Director, Contracts
Department of State
Washington, DC 20521-7030

RE: Contract No. EEU-I-00-99-00015-00, TO No. 805
UI Project 06901-005, Kyrgyzstan Local Government Initiative
Quarterly Task Order Progress and Cost Report, January to March 2002

Dear Mr. Johnson:

Please find enclosed *Quarterly Task Order Progress and Cost Report, January to March 2002, Kyrgyzstan Local Government Initiative*. This report is required by Sections F.5 and F.6 of our Local Government Assistance Initiative Indefinite Quantity Contract.

Please direct any technical questions to Mr. Charles Undeland, CoP, at cundeland@ui.kg or 011-996-312-66-04-28. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,

Maria C. Andrade-Stern

Enclosures

cc: Susan Fritz (CTO, USAID/CAR)
Mike Keshishian (USAID/W)
Charles Undeland (Kyrgyzstan/UI)
USAID Development Clearinghouse
IAC Deliverables File (06901-005)
IAC Chron File

**QUARTERLY TASK ORDER
PROGRESS AND COST
REPORT**

JANUARY TO MARCH 2002

**KYRGYZSTAN LOCAL
GOVERNMENT PROJECT**

Prepared for



Kyrgyzstan **Local** Government Project
United States Agency for International Development
Contract No. **EEU-I-00-99-00015-00**, Task Order No. 805

Prepared by

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March 2002
UI Project **06901-005**

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QUARTERLY TASK ORDER PROGRESS AND COST REPORT

JANUARY TO MARCH 2002

LOCAL GOVERNMENT PROJECT IN KYRGYZSTAN

Task Order No.: EEU-I-00-99-00015-00, Task Order No. 805

Date of Issuance: October 1, 1999

Task Order Description

In October 1999, United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement what became a three-year local government project in Kyrgyzstan. UI is working to improve the efficiency, responsiveness and accountability of local government in Kyrgyzstan by providing training and technical assistance in financial and asset management and democracy and governance, contributing to the development of beneficial national policies affecting local governments and disseminating good practices, both domestic and international. UI has chosen Kant, Tokmok, Naryn and Uzgen as its pilot cities for activities with local impacts.

As required by Section F.5 of the Local Government Contract, below is a description of progress during the last quarter under the following Task Order:

Amount Obligated Under Task Order:	\$4,515,661
Total Potential Task Order Amount:	\$4,515,661
Dollars Expended To-date:	\$3,265,400

Work Performed During Previous Quarter

Highlights:

- Enactment of the Local Government and Communal Property laws
- Procedures for lease, use, and sale of Bishkek property finalized
- Production of FAQ handbook on condominiums
- Regional Financial Management Seminars
- Association of Cities holds general assembly
- 18 public budget hearings scheduled for April to June

- 11 proposals, totaling approximately 2.7 million som, selected in third round of Community Grants Program
- Fergana Valley Condominium Conference in Osh for Tajik and Uzbek housing officials
- Asset Management training held for Bishkek City kenesh deputies

Activities

Introduction of Democratic Practices

Citizen Participation—UI held the third round of its community grants program. A total of 24 proposals from 13 cities were received, totaling more than twice the available pool prize of 3 million soms (slightly more than \$60,000). On March 22, the Grants Commission provided preliminary approval for 11 proposals totaling over 2,700,000 som. The Commission voted to allow Sulukta to resubmit its grant applications and set a deadline of April 8 for the new submission.

15 cities, including the 11 cities that have held public budget hearings plus the 4 cities of Batken Oblast, were eligible to compete. Cities from Batken were included because it is a relatively easy way to expand UI programming to Batken given current restrictions and the focus of working in the Fergana Valley as part of overall objectives of mitigating conflict. Councils or local economic development boards of eligible cities could submit up to two proposals estimated between 175,000 and 350,000 som. Improvements from previous rounds are inclusion of representatives of the Eurasia Foundation and Soros Foundation-Kyrgyzstan (SFK) on the board, and a more rigorous review of the projects' feasibility through sending independent engineers to review projects in advance of selection by the board. Our program has attracted the interest of the World Bank, which is using information from UI's modest grants program to prepare a Community Investment Program for Kyrgyzstan.

Announcement of the grants program was initially delayed by an initiative from the Ministry of Finance that in future will apparently lead to control of UI's and similar donor programs. The goal of the initiative is to tie local projects to the county's poverty reduction strategy and to ensure roughly equal amounts of assistance to go to all regions. UI anticipates completion of its grants program before MoF establishes controls, while satisfying its objectives by providing information about projects that are funded. However, prioritizing of projects were made by local councils, not MoF commissions.

The final two projects were completed under the second round of the Community Grants Program. Repairs of a secondary school roof in Uzgen were completed and two public toilets were built in Kara-Suu.

A Public Hearing Handbook that gives detailed information on how to hold public hearings including hearings on budget and use of communal property was completed. The handbook details what steps should be taken in order to successfully hold a hearing, how to organize the logistics, and how to issue associated press releases. 600 copies of the handbook were published and are being distributed to every rayon, city, and village kenesh in Kyrgyzstan, as well as several national level agencies.



UI, in cooperation with the UNDP and Soros Foundation-Kyrgyzstan, is producing a Citizen's Guide to National and Local Budgets. The Guide will explain as simply as possible the current system of budgeting and changes that are likely to be introduced; and includes explanations of the basic principles of budgeting, the budget process, and the inter-budgetary relationships in the Kyrgyz Republic. A group led by several trainers at the Academy of Management with whom UI regularly sub-contracts was selected to produce the Guide. UI will be working with the group on local budget issues while the Budget Committee of the Legislative Assembly will be advising on national budget issues. Each of the three donor organizations will cover roughly one-third of the production costs. The Guide should be published by the end of May and will be distributed throughout Kyrgyzstan to increase people's understanding of the budget and increase citizen participation in the budget process particularly through public budget hearings.

UI, at the request of the President of the Construction and Architecture University, delivered a lecture on the "Basics of Land Economics." Over 60 students and 10 faculty members attended the lecture.

Transparent, fair municipal procedures established—An updated version of the standard asset management training session was provided to Bishkek kenesh deputies on March 26, 2002. In addition to kenesh deputies, officials attended the training from the city administration, the city property management department, State Real Property Registry and the Bishkek Architecture Department. A total of 60 people participated.

On the following day, the draft regulation "On procedures for granting immovable property objects in communal property of Bishkek City for use, lease and ownership" was presented at the end of the training. The primary focus of these procedures is to ensure open competition for city property to be leased or sold. UI essentially drafted the document with cooperation from the city property department. It was agreed at the conclusion of the presentation that the draft regulation will be revised with the Association of Cities according to deputies' recommendations and considered during the next Bishkek city kenesh session for adoption. However, the UI draft is the official version to be reviewed. This represented a success as there had been competing drafts dealing with certain cases covered under the regulations. Several city administration officials were against the widespread use of competitive procedures.

Role of elected local councils increased—Two laws passed during the reporting period, with the help of UI, significantly increase and safeguard the authorities of the local keneshes. In the new local government law, local keneshes are given the right to set differential zones for land tax rates within their areas, must approve plans for sale and procedures for lease of communal property, have expanded powers to pass no confidence motions against mayors as well as local department heads, and have the right to repeal decisions taken by mayors outside of their competency. Two no confidence motions triggers the dismissal of the mayor, to be followed by new elections. While these are in general positive steps, the law did not end up including anticipated amendments which would have separated the head of kenesh from the head of administration for rayon subordinate cities and villages, which in practice makes it more difficult for local keneshes to exercise control over their mayors. Secondly, the Law On Communal Property identifies and safeguards keneshes' powers concerning planning for use and disposition of property. Keneshes also will be responsible for approving property management plans to be implemented by executive agencies.



In addition, UI is currently working on two pieces of draft legislation that strengthens the role of the local keneshes. UI's proposed changes to the local budgeting sections of the draft Budget Code call for much earlier kenesh involvement in discussing and approving initial numbers for planned local budgets. This would allow the keneshes to perform their proper budgeting functions rather than approving budgets that are essentially provided in the form of control figures by the Ministry of Finance. Wording in the draft Law on the Financial and Economic Basis of Local Self Government also strengthens the role of local keneshes in several areas. Firstly, it provides for greater arms-length oversight of municipal enterprises by local keneshes. This would include oversight of strategic plans and annual budgets (including tariffs). The establishment and oversight of municipal enterprises is unclear in existing legislation. The draft legislation seeks to tighten the oversight mechanisms to enable improvements in the delivery of service through better budgeting, collection rates, and more effective tariff setting. The draft law also reiterates language in the draft Budget Code on the role of local keneshes in the budget process. Lastly, the draft law reiterates wording in the Law On Communal Property Ownership on the role of local keneshes in the rental and disposal of communal property.

Keneshes were prominent in organizing meetings of citizens to discuss projects under the community grants program. The grants program represented an opportunity for local keneshes to raise their profile as in almost all cases keneshes were charged with determining priorities for projects. Keneshes were also responsible for submitting applications.

Increased Local Government Capacity

Financial Management—UI organized two two-day seminars on financial management for city officials including mayors, heads of city communal enterprises, heads of city financial departments and heads of rayon treasuries. The seminars were held in Bishkek for representatives from northern cities and in Osh for the southern cities, as well as officials from the Ministry of Finance. Topics covered included basics of program budgeting, capital improvement planning, reporting and information flow. In addition, participants of the study tour to Hungary last November made presentations on lessons learned there for their Kyrgyz colleagues. A representative of Barents made the presentations on program budgeting. The meetings also produced an agreement that UI, together with the Association of Cities, will prepare a list of recommendations for the Ministry of Finance on the problems faced by local governments with the current system of public finance.

The Financial Information System Manual was printed and disseminated with a preliminary explanation at the financial trainings. A series of computer trainings for city officials focusing on the FIS and the Asset Management database will be held in the spring. Prior to dissemination of the FIS Manual UI received initial comments from the Ministry of Finance. It was agreed that as soon as the Ministry of Finance develops standard reports for the oblast level, the Ministry would prepare detailed recommendations on the Financial Information System to enable the FIS to meet those requirements. In the meantime, the Ministry agreed to the dissemination of the existing manual.

Eleven applications were received for the municipal computer grant program sponsored by Eurasia Foundation with support from the Urban Institute. Shopokov's application was rejected for non-compliance. Selection of the winners from the other ten applicants will be made on April 16. Two UI staff members will



participate on the Selection Committee. A condition for winning the grant is that grantees participate in computer training sponsored by UI that will include modules on the FIS and the Asset Management database.

UI hosted the first gathering of the official Working Group for the development of the draft Law on Financial and Economic Basis of LSG (LFEBLSG), chaired by Local Government Minister Omuraliev. Discussion focused on which issues to include in the Budget Code versus the LFEBLSG. UI Bishkek is preparing a draft LFEBLSG for discussion at the next Working Group, likely to occur in April.

A preliminary schedule for public budget hearings in **18** of Kyrgyzstan's **22** cities and the associated trainings for April to June **2002** were prepared. There was widespread interest expressed by nearly all city governments to receive UI assistance to hold such hearings.

As a result of continued ambiguity in the mayoral election in Naryn, significant effort to develop the City Strategy and Action Plan in conjunction with city officials has been delayed. Work continues on the City Profile, Business Attitude Survey and Investment Project Inventory and Prioritization. As a possible alternative to Naryn, a meeting was held with Balykchy city officials regarding the development of a City Strategic Plan. A final decision whether to work with Balykchy will be made in the near future.

Condominiums—On March **25** and **26** UI conducted a regional conference on the Development of Condominiums in the Fergana Valley for representatives of housing authorities in the Fergana valley. Participants included representatives from Khojent and Dushanbe in Tajikistan; Namangan, Andijan and Tashkent in Uzbekistan; and leaders of the **two** Kyrgyz southern regional condominium associations and chair people of several Osh condominiums. The conference covered housing legislation, condominium structure and operation, as well as the current status of condominium development in Kyrgyzstan. The conference also included a visit to a condominium in Osh. The conference was very well received and participants expressed their approval of the level of understanding of the owners' obligations towards the common property maintenance and management and the transparency and accountability of the condominium management in Kyrgyzstan.

UI provided assistance to Nash Dom to prepare a study tour for a group of heads of NGOs from Kazakhstan (March **11** and **12, 2002**). The group of **15** people visited Kyrgyzstan to learn about condominium development. The program included training sessions, visits to condominiums (in Bishkek and Tokmok), as well as a meeting with local government in Tokmok. UI also provided publications (Questions and answers about condominiums in Kyrgyzstan, UI Condominium survey report and condominium promotion brochures) to the participants of the tour.

In partnership with local condominium associations, UI facilitated the formation of **16** new condominiums comprising **1,297** units registered (**6** in Bishkek, **2** in Tokmok, and **8** in Osh) and **1** condominium in Bishkek added **2** neighboring buildings. There is a backlog of several registration applications at the Ministry of Justice. The Osh, Bishkek and Jalal-Abad regional associations delivered a total of **19** standard condominium governance and management training sessions. Each training session is attended by the chairperson, manager (if there is one), **two** board members, accountant, and a member of



the audit committee from each condominium as well as members of the NGO community and local government officials into the standard training courses.

The grant program for installation of sports facilities and development of basketball leagues among condominiums members was announced in Osh by Mercy Corps. UI partner organization Osh Konush regional condominium association is responsible for implementation of the first phase of the competition, i.e., announcement, info dissemination, assistance to condominiums on applications. More than 30 condominiums in Osh received application forms to participate in the grant program. Osh-Konush provided assistance to 18 condominiums in developing their proposals.

UI together with the head of Nash Dom met with officials from Antimonopoly Committee responsible for the development of recently adopted rules for providing utilities to population. The rules contain an alarming provision making the condominium a service provider to residents (as opposed to a voluntary association of residents) in their building and liable for problems with delivery of communal services. The Committee requested UI to propose amendments with justifications to change the rules.

"Nash Dom" distributed the first two issues of the regional housing association's joint newsletter to more than 500 recipients, including condominiums throughout the country, local governments and keneshes, information centers, central and regional housing authorities, as well as mass media. The second issue also contained an insert written by UI concerning condominiums' relationships with heat providers. The article is to promote contracts between utility providers and condominiums as collective consumers rather than contracts between providers and individuals. The article also demonstrates experience of Kyrgyz condominiums where residents benefited financially if the buildings install meters and regulator valves.

UI met with the Bishkek Vice mayor Kulbaev at his request and agreed on an outline for an accelerated program of condominium promotion and development with the city. UI will be using its NGO partner, Nash Dom, primarily to work on the promotional activities.

UI participated on the board of the Eurasia Foundation to approve a grant for one of the few private property managers for condominiums in the country in order to develop this profession. UI will provide some technical assistance to orient professionals from the housing sector to the opportunities of serving as manager.

With input from regional housing associations UI published 500 copies of a FAQ handbook for promotion and educational purposes to be distributed to regional associations, local governments and keneshes, as well as to cities' libraries.

The parliamentary committee on consumer rights solicited input from UI for amendments to the Law on Condominiums. UI's and other comments yielded a draft law on introducing amendments, which will be discussed in late spring. The committee has contacted UI to receive additional comments.

Asset Management—The Law on Communal Property Ownership was enacted in March. Changes made by the President's Administration included the exact title of the law and the inclusion of



additional limitations on the privatization of communal property. In Parliament, passage of the law was extremely abrupt, with no discussion of the law or recommendations drafted by the staff in parliament. Publication of the asset management toolkit can now proceed; publication was delayed in order to include the law in the package.

The revised and substantially enhanced communal property database is fully operational. An updated manual was drafted for the new database. This software will be distributed together with FIS under the joint UI-Eurasia Foundation computer grants program. The system is being tried out by the Association of Cities in conjunction with Bishkek's UMS.

UI trained kenesh members and administration officials on "Basics of Asset Management" in Osh and Jalal-Abad, as well as in Bishkek. As noted above UI also devoted substantial effort to the development of procedures for renting or providing use rights to municipal property for Bishkek.

Development of Effective Local Government Training—UI, in cooperation with the Academy for State and Municipal Service, developed a training course for deputies of local keneshes on their role, rights and responsibilities based on UN Habitat and ICMA's materials from Slovakia and adopted it in accordance with the situation in Kyrgyzstan and the new Law on LSA and LSG.

UI's training modules on the Concept of Local Self-Government was reviewed and modified in accordance with the new Law on LSA and LSG and the Law On Communal Property Ownership.

Information Sharing Increased the Association of Cities—The Association of Cities (ACKR) was targeted by Local Government Minister Omuraliev at a gathering of all local mayors and other officials – some **600** persons -- in mid-January. Together with Koshoev, the then de facto head of the Congress of Local Communities (CLC), Omuraliev pressed at several instances to have ACKR be folded into a larger union of associations (of both cities and villages). The gathering resolved by hand vote to create an association of villages without discussion of goals or by-laws. At the end of the second day, there apparently was a hand-vote to elect Omuraliev as head of the union of the village and city associations (the name of which was not clear). Earlier in the day at a separate meeting of city mayors, local officials had defended their association from Omuraliev though in principle agreeing to review opportunities for cooperation as they might arise.

The ACKR's staff and the chairman of the board believe that they will be able to preserve ACKR's independence while at the same time participating in some kind of consultative body on local **self-**government issues that would be organized by Omuraliev. UI notes that it has begun to work closely and fruitfully with the new Association of Villages on decentralization policy issues. Following the mid-January meeting, the Association is now headed by Kurmanbek Dyikanbaev, who in his new role has proven to be a valuable ally for real decentralization.

UI sponsored publication of 700 copies of the new local government law for distribution at the mid-January meeting of local government heads.



At the same time, ACKR is pushing ahead to build itself up organizationally together with UI's assistance. On February 16, the Association of Cities conducted its first General Assembly, the agenda of which was discussion and approval of: their strategic development plan, a prioritization of the Association's planned work, an outline of expected sources of funding and structure for payment of membership dues. All mayors and some kenesh chairmen, Local Government Minister Omuraliev, and representatives of the Presidential Administration and Prime Minister's office attended the Assembly.

At the meeting mayors highlighted the need to delineate responsibilities and the difficulties for cities to have an opportunity to provide meaningful input on legislation. Both Omuraliev and the mayors emphasized the need for a Law on Financial and Economic Basis of LSGs. The mayors insisted they be given an opportunity through the ACKR to meet to discuss the draft of the law. Omuraliev again proposed to create the Congress of Bodies of LSG to replace the now-defunct Congress of Local Communities (whose charter expired in December 2001.) The Congress would be an umbrella for cooperation between the ACKR and the Association of Towns and Villages (now being formed) on issues of LSG. The ACKR agreed that their Board be given authority to work with the Association of Towns and Villages and the Ministry of LSG to prepare draft charter documents for some kind of consultative body which would be subordinate to the Association and then make recommendations to the Association membership for approval.

Three cities of Batken Oblast (Batken, Isfana and Sulukta) joined the ACKR, making all Kyrgyz cities members of the Association. Representatives of the Association of Cities' executive board visited the new member cities in order to define existing problems within these municipalities and to establish an exchange of information.

ACKR also worked on raising its public image through a variety of mediums. It conducted a first briefing for 17 representatives of central and regional media, which received significant coverage. With editorial and other support from UI, ACKR is now regularly producing its information bulletin and distributing it among cities. Work on developing an ACKR Website continues. On February 22, ACKR officially opened its southern office and conducted a media briefing in the mayor's office of Osh. UI provided a computer set to the new branch office. This center will allow the Association to serve its southern constituents more effectively. During this quarter, experts of the Association provided 48 consultations on legal issues to representatives of member cities.

UI worked together with AED on preparation for the latter's funding of a study tour to Poland for newly elected mayors and kenesh members to occur in April. The study tour, On Practical Approaches to Improve Local Government Effectiveness and Accountability will consist of two separate trips of six cities and twelve participants each. The study tour focuses on local government budgeting and local property taxation; city level strategic planning; and oversight of municipal enterprises (especially water enterprises).

UI's monthly information bulletins continue to be produced and may be viewed at www.ui.kg.



Increased Local Government Authority

Intergovernmental Roles Clarified—The Law “On Local Self-Government and Local State Administrations” was signed into law on January 12. There was substantial delay in enacting the law after the chaotic plenary sessions in parliament. However, UI and other observers were surprised to see that virtually no changes discussed in committee and plenary sessions ended up in the law. Further, UI is aware that LG Minister Omuraliev was discussing the draft of the law in parliament AFTER passage of the law. Though disappointing that the law did not go further to provide for substantial local government autonomy and efficiency, it represents modest progress for local governments.

At a meeting with the Minister of Justice, UI agreed to assist the latter in drafting proposed amendments to other legislation in light of the passage of the local government law. UI anticipates that this will be a fairly broad task, as the law touches on so many aspects. UI will prepare a table highlighting overlap or contradictions in the LG law with other laws, presidential decrees, government resolutions, and ministerial instructions.

UI is working on a discussion draft of an assignment of responsibilities by level of government. The draft is based on the Ministry of Finance’s Classification of Functions of Public Administration, augmented with inputs from international experience. The discussion paper includes charts trying to define functions in as great a detail as possible in order to make roles clearer and avoid overlap. One of the key shortcomings of the new local government law is the lack of detail in making assignments that allow for de facto overlap. The discussion draft was presented to Local Government Minister Omuraliev, other members of the commission charged with developing a national strategy for decentralization, counterparts in the Association of Cities and the Association of Villages, and Mr. Karashev in the President’s Administration. The paper has been extremely well received and the principles appear likely to be incorporated into the national strategy. UI has an agreement with both Associations that they will poll their memberships to come up with definitions of functions as they currently are and a separate chart to identify at what levels of government is their capacity for delivery of services based primarily on the principle of subsidiary. The Association of Villages has been extremely forthcoming and eager to work with us in this exercise.

UI met twice with representatives of the World Bank on preparation for the GSAC/GTAC, credits under preparation with the GoK. Broad agreement was reached on the need to emphasize functional assignments in the policy matrix, though the Bank appears more interested in focusing on short-term improvements in inter-governmental finance formulas than encouraging the GoK to address functional assignments. Nonetheless, UI believes that the issue will be given greater prominence in the policy matrix, which should translate into greater political will to engage in the politically difficult task of assigning functions. UI also met several times with a UNDP consultant charged with helping the decentralization project develop a strategy.

Local governments have greater control over **revenues**—UI contributed substantially to the local budget sections of the Budget Code drafted by Barents Group together with the Parliamentary Budget Committee. The language put into the draft code provides for better information to local governments on projected grants revenues, more rigid application of formulas for categorical and equalization grants at the

sub-oblast level, and prohibiting de-concentrated levels of government from engaging in localized equalization through manipulating deduction rates of local taxes.

UI is also working closely with the commission drafting a Law on the Financial and Economic Basis of Local Self-Governments (LFEBSG) chaired by Omuraliev. UI is trying to ensure coordination between this law and the language in the budget code, while also addressing key issues concerning local governments' rights to receive clear functional authorities and service standards to be observed, coupled with access to revenues needed to carry out these functions. UI will also seek to identify the city government's legitimate role in managing certain economic activities, primarily related to the oversight of utilities. In order to facilitate the process, UI is preparing a first draft of the LFEBSG for discussion by the commission.

The communal property law was signed. The law gives authority to local governments to use and dispose of communal property according to procedures approved by local by-law. Under the new communal property law, local government is allowed to retain the proceeds from communal property.

Local governments inform national **policy** dialogue—A major theme of the Association of Cities' Assembly was ensuring that cities are given the opportunity to advocate their interests effectively in the drafting of local government legislation, particularly the upcoming local finance legislation. The Association is continuing to try to develop its outreach to cities, as witnessed in the opening of the southern center, in order to allow them to have greater inputs. UI is also involving city and village governments in identifying the current system of functional assignments and is soliciting inputs on what functions villages and cities have the capacity to fulfill. This should serve the basis of the new governmental strategy to develop decentralization.

A list of changes and amendments to normative-legal acts is being prepared in order to bring them into compliance with the Law on LSG and LSA and the Law on Communal property. The list will be presented to the Ministry of Justice of the Kyrgyz Republic to enable its specialists to systematize normative-legal acts related to local self-government in the Kyrgyz Republic.

Significant Findings and Delays

Resident Advisor Hilary Smith returned from maternity leave in mid-March.

A significant and real focus is being placed on decentralization as illustrated by the Presidential decrees at the beginning of the year to establish ~~two~~ working groups: one to create a strategy on decentralization through **2010** and the second to draft the necessary laws to carry out the decentralization strategy. It should be noted that the passage of the Local Government law and the Communal Property Law already represent important steps towards decentralization. The second committee has already met to discuss the draft Law on the Financial and Economic Basis of Local Self Government. UI is currently preparing a new draft of this law that will significantly improve the autonomy local governments have over their assets and own-source revenues. By doing so, cities will have an incentive to increase the revenues collected thereby improving the overall financial situation of the Kyrgyz government.



However, a revision of revenue assignments is meaningless without a parallel evaluation of functional assignments. Proper revenues assignments cannot **be** done without first deciding what each level of government is responsible for. The need to consider these issues together is being recognized not only by the cities and villages through their respective associations, but also by the Republican government. The current discussions being held based on the draft table of functional assignments will make any new financial legislation more effective. UI is working with government officials, other donors, and NGOs (including the Associations of Cities and Villages) to ensure that draft legislation accounts for the needs of the local governments and is both practical and implementable.

Work Planned for Next Reporting Period

- 18 budget hearings
- Procurement training and completion of most of the projects under the third round of the community grants program
- Training provided for the first time to cities in the Batken Oblast
- 2 Concepts of Local Self-Government training, 6 Budget Strategy trainings, 8 Preparation of Public Budget Hearing trainings, and 14 trainings for NGOs regarding budget hearings
- Publication and dissemination of the Asset Management Toolkit
- Study tour to Poland on Practical Approaches to Improve Local Government Effectiveness and Accountability
- Meetings of the working group on the Law on the Financial and Economic Basis of Local Self Governments and further revision of the draft law
- Announcement of the winners under the UI/Eurasia Computer Grant program
- Computer training on Computer Basics, Financial Information System, and Asset Management Database
- Broader dissemination and further revision on the discussion draft of the functional assignments table
- Publication and distribution of the Citizen's Guide to National and Local Budgets
- On-going collaboration with Barents on development of a property tax and developing a concept for local government finance, working on the Budget Code being developed in parliament
- On-going collaboration with Chemonics on urban land issues



Up-To-Date Schedule of Work

- Work is continuing in accordance with the approved Workplan.
- One area where there may be a delay is in the development of a strategic plan in Naryn due to the ambiguity surrounding the election of a mayor.
- UI is requesting a no-cost extension given availability of funds related to the slow-down of expatriate labor last fall following travel restrictions and difficulties in recruiting a new RA after September 11.
- This extra period of time will allow UI to:
 - Follow-up on dissemination of several key local practices
 - The community grants program
 - Installation of computers and software
 - Participation in working groups drafting legislation

Key Personnel

Mr. Charles Undeland, Chief of Party, UI Kyrgyzstan Local Government Program, 011-996-312-66-04-28, cundeland@ui.kg, Ms. Hilary Smith, Resident Advisor Kyrgyzstan Republic and Mr. William Kugler, UI Kyrgyzstan Resident Advisor, 011-996-312-66-04-28.